



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

September 15, 2000

OFFICE OF  
AIR AND RADIATION

Dear Authorized Account Representative:

As the second year of compliance under the Ozone Transport Commission (OTC) NO<sub>x</sub> Budget Program draws to a close, it is time for you and your company to begin gathering the necessary data for determining the number of allowances to be deducted under Annual Reconciliation. The Clean Air Markets Division of EPA is the administrator for the NO<sub>x</sub> Allowance Tracking System (NATS) and the Emissions Tracking System (ETS) of the OTC NO<sub>x</sub> Budget Program. As the Authorized Account Representative, you are responsible for providing the Clean Air Markets Division with accurate and timely information, which may be drawn from a variety of sources within your organization.

**Please share the information in this mailing with all of the people that are involved in preparing your company for compliance with the Annual Reconciliation requirements. This is the only set of forms and instructions that will be sent for the plants for which you are the Authorized Account Representative.**

Please use the enclosed set of forms and instructions to provide us with the information required to determine the compliance status of your company's sources. All forms must be postmarked by December 31, 2000 for them to meet the submittal requirements. Everyone must complete the NO<sub>x</sub> Annual Compliance Certification Report. The NO<sub>x</sub> Allowance Deduction form is optional.

If you need additional copies or assistance with the forms, or want general information concerning Annual Reconciliation or the NO<sub>x</sub> Budget Program, please contact the Acid Rain Hotline at (202) 564-9620 and leave your request in the "NO<sub>x</sub> Budget" message box. In addition, we encourage you to visit our home page on the Internet, where you can also obtain additional copies of the forms and general information about the program. The address to obtain information about the NO<sub>x</sub> Budget Program is:

**<http://www.epa.gov/airmarkets/otc/index.html>**

Answers to general questions we receive and any other information regarding Annual Reconciliation that we believe to be of general interest will be posted on the home page.

Once we receive your forms, we will enter the information provided into the NO<sub>x</sub> Allowance Tracking System. That information is supplemented by emissions and configuration data provided from the processed quarterly reports that you submitted to the Emissions Tracking System. If we have

any difficulties in processing the information you provided on the forms, we will contact you to resolve the problem. We anticipate completing the Annual Reconciliation process and deducting allowances by March, 2001. You will be notified that the Annual Reconciliation process is complete when we send you the NO<sub>x</sub> Allowance Tracking System report titled "Allowance Deductions for Compliance Year 2000" for each of your affected units.

Please remember that progressive flow control (PFC) is in effect for year 2000 Annual Reconciliation. The PFC ratio this year is 0.50, and it applies to any banked allowances (with a compliance year of 1999) held in your compliance and overdraft accounts at the time deductions are made. The first 50 percent of these banked allowances will be deducted at one allowance for each ton of Nox emissions. The remaining 50 percent will be deducted at two allowances for each ton of NO<sub>x</sub> emissions, if they are needed.

**Compliance is determined on an individual unit basis**, so a surplus of allowances in one compliance account and a deficit in another means the latter source has excess emissions, even if they are both part of the same plant or facility. Most States have authorized the use of overdraft accounts, which offer some protection from being out of compliance if there are insufficient allowances in an individual unit account. For States that have not authorized overdraft accounts, we recommend that you make sure that each compliance account contains a "buffer" of allowances beyond what you anticipate will be deducted.

The deadline for transferring allowances with the 1999 or 2000 compliance use dates is December 31, 2000. Transfers delayed in the mail will still be processed and the allowances will be available for use for Annual Reconciliation for 2000 as long as the postmark date is not later than December 31, 2000. Those portions of transfers into or out of compliance accounts involving year 1999 or 2000 allowances postmarked after that date will be held for processing until 2000 Annual Reconciliation is completed. **Transfers into or out of compliance accounts involving allowances with compliance use dates later than 2000, and all transfers relating to general accounts, will be processed as usual.**

I believe that working together, along with the State representatives, we can achieve 100% compliance with the OTC NO<sub>x</sub> Budget Program and continue to demonstrate the effectiveness and economic benefits of this innovative, market-based approach to reducing emissions of nitrogen oxides. Feel free to contact me or any of the Clean Air Markets Division staff with your questions or concerns as we conclude this critical phase of the second year of the OTC NO<sub>x</sub> Budget Program.

Sincerely,

Brian J. McLean  
Director, Clean Air Markets Division

Enclosures:  
NO<sub>x</sub> Annual Compliance Certification Report and Instructions  
NO<sub>x</sub> Allowance Deduction Form and Instructions



# Instructions For NO<sub>x</sub> Annual Compliance Certification

*The NO<sub>x</sub> Budget Program requires the authorized account representative to submit a NO<sub>x</sub> Annual Compliance Certification Report for each budget source that is subject to the requirements for a control period.*

*This Report must be submitted, by December 31, for each plant and must include every budget source that is subject to the NO<sub>x</sub> Budget Program. This form must be sent to the U.S. EPA and a copy sent to the appropriate State address.*

- Step 1 Enter the Plant Name, State, and Compliance Year.
- Step 2 Enter the NO<sub>x</sub> Allowance Tracking System (NATS) Account Number for each budget source at the Plant and answer each question for each budget source by marking an "X" in the appropriate box.
- Step 3 **OPTIONAL:** When two or more budget sources listed in Step 2 share a common emission stack or common fuel pipe and have emissions or fuel that are not individually monitored, you have the option of identifying the fraction of total allowances to be deducted from each budget source's NO<sub>x</sub> Allowance Tracking System (NATS) Account. When using this option, enter the NATS Account Number, Fraction of Total Allowances to be Deducted, and the Common Stack or Pipe Identification Number for each budget source sharing a common stack or pipe. If you do not indicate otherwise, an equal percentage of allowances will be deducted from each budget source's account.

EXAMPLE 1: Four budget sources emit through a common stack (ID No. CS10). The total annual emissions from stack CS10 = 10,000 tons. Leaving Step 3 blank results in the deduction of 2500 allowances from each of the four budget sources.

EXAMPLE 2: The same four budget sources emit the same annual emissions as in Example 1. The designated representative wants 60% of the allowances deducted from budget source 1, 40% from budget source 4, and 0 from budget sources 2 and 3. The step is completed as illustrated:

NATS Account Number	Fraction of Total Allowances to be Deducted	Common Stack or Pipe Number
0 0 0 0 0 1 0 0 0 0 0 0 1	0 . 6 0 0 0 0 0 0	C S 1 0
0 0 0 0 0 1 0 0 0 0 0 0 4	0 . 4 0 0 0 0 0 0	C S 1 0

- Step 4 Read the Certifications. Enter your name and AAR ID Number. Sign and date the form.



# NO<sub>x</sub> Annual Compliance Certification Report

Page 1

For more information, see instructions.

**STEP 1**  
Enter the compliance year, Plant name, and State.

Compliance Year	Plant Name	State
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**STEP 2**  
Enter the NATS account number for each budget source at the plant and answer each question with an X in the appropriate box.

	Column A	Column B
NATS Account Number	As of the allowance transfer deadline, did this budget source hold sufficient allowances in its compliance account for the control period to equal or exceed the recorded NO <sub>x</sub> emissions during the control period?	Was all the emissions data submitted to the ETS in accordance with the procedures established in your State rule and in conformance with the requirements of the ETS Administrator?
	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
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Compliance Year	Plant Name	State
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**STEP 2**  
**(Continued)**

	Column C	Column D	Column E
NATS Account Number	Has the monitoring plan for this budget source been maintained to reflect the actual operation and monitoring of the budget source ?	Were all emissions, including conditionally valid data, from this budget source monitored or accounted for, either through the applicable monitoring or through application of the appropriate missing data procedures?	Were there any changes in the method of operation of the budget source or the method of monitoring the budget source during the current year?
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	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
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# Instructions For NO<sub>x</sub> Allowance Deduction

*The NO<sub>x</sub> Allowance Deduction Form may be used to identify the allowances to be deducted for annual compliance. If you choose not to submit this form, allowances will be deducted on a first-in, first-out (FIFO) basis. This form must be submitted with the NO<sub>x</sub> Annual Compliance Certification Report (due December 31).*

Step 1 Enter the Compliance Year and the NO<sub>x</sub> Allowance Tracking System (NATS) Account Number of the unit from which allowances are to be deducted. **Allowances held in overdraft accounts may not be specified for deduction.**

Step 2 List by serial number the allowances to be deducted. You may specify single allowances or a series of allowances. In the total column, enter the total number of allowances to be deducted. Verify the accuracy of your entries by computing one of the following simple equations:

$$\text{Start Number} = \text{End Number} - \text{Total} + 1$$

or

$$\text{End Number} = \text{Start Number} + \text{Total} - 1$$

**NOTE: If the serial number range does not correspond with the figure for the total number of allowances, then EPA will rely on the serial number range and not the total number.**

You may copy the form to list additional allowances to be deducted. When you have completed the form, for each NATS account number indicate the page order and total number of pages (e.g., 1 of 4, 2 of 4, etc.) in the boxes at the bottom of each page.

The allowance year, which is the first four digits of the serial numbers of allowances to be deducted must be the same as, or a year prior to, the compliance year listed in Step 1. **When listing allowances for deduction, list all the current year allowances first, followed by any banked allowances (from previous years).**

NOTE: EPA will deduct allowances in the following order.

- 1) Current year allowances that are identified on the Allowance Deduction Form
- 2) Current year allowances that are not identified on the Allowance Deduction Form
- 3) Banked allowances that are identified on the Allowance Deduction Form

If you do not identify enough allowances by serial number, EPA will deduct any additional allowances necessary on a first-in, first-out (FIFO) basis.

If you identify more than enough allowances, EPA will deduct the allowances in the order listed on the form. EPA will not deduct more allowances than necessary for compliance.

Step 3 Read the Certifications. Enter your name and AAR ID number. Sign and date the form.



## NO<sub>x</sub> Allowance Deduction (Optional)

For more information, see instructions.

**STEP 1**  
Enter the compliance  
year and NATS account  
number.

**STEP 1**  
Enter the compliance  
year and NATS account  
number.

Compliance Year	NATS Account Number
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**Enter the serial numbers of the allowances to be deducted.**

**Enter the serial numbers of the allowances to be deducted.**

**You may specify single allowances or a series of allowances. In the total column, enter the total number of allowances to be deducted. Enter all current year allowances first, followed by any banked allowances (from previous years).**

[illegible]

**The AAR should read the certification statement, and sign and date.**

**The AAR should read the certification statement, and sign and date.**

**Certification**  
I am authorized to make this submission on behalf of the owners and operators of the budget source and I hereby certify under penalty of law, that I have personally examined the foregoing and am familiar with the information contained in this document and all attachments, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including possible fines and imprisonment.

<b>Certification</b> I am authorized to make this submission on behalf of the owners and operators of the budget source and I hereby certify under penalty of law, that I have personally examined the foregoing and am familiar with the information contained in this document and all attachments, and that based on my inquiry of those individuals immediately responsible for obtaining the information, the information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including possible fines and imprisonment.	
Name	AAR ID
Signature	Date